

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Sheridan	County Montcalm County
Audit Date 3/31/05	Opinion Date 6/28/05	Date Accountant Report Submitted to State: 9/29/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

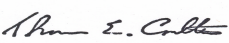
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Yeo & Yeo CPAs, P.C.			
Street Address 7810 N. Alger Rd.	City Alma	State MI	ZIP 48801
Accountant Signature 			

Village of Sheridan
Montcalm County, Michigan
Annual Financial Statements
and
Auditors' Report
March 31, 2005

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Village of Sheridan
List of Elected and Appointed Officials
March 31, 2005

Village Council

Brian Russel - President

Doreen Tissue - Treasurer

Marilyn Hancock - Clerk

Daryl Bush – Council Member

Wayne Wyckoff – Council Member

Susan McFarland – Council Member

Kirk Train – Council Member

Don Nassif – Council Member

Harold Arrington – Council Member

Other Officers and Officials

Doug Lane – Village Superintendent

Ed Lingeman – Assistant Village Superintendent

Independent Auditors' Report

Members of the Village Council
Village of Sheridan
Sheridan, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Sheridan as of and for the year ended March 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Sheridan as of March 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village Council has implemented a new reporting model as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* and Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*, as of April 1, 2004.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Sheridan's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

June 28, 2005
Alma, Michigan

**Village of Sheridan
Management's Discussion and Analysis
Year Ended March 31, 2005**

Our discussion and analysis of the Village of Sheridans' financial performance provides an overview of the Village's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Village's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2005.

The Village of Sheridan completed construction of the New Village Hall at 115 Evergreen Street. The total cost of construction was \$176,550. The Village has a Mortgage Loan with Chemical Bank, Sheridan, Michigan for this. We are paying \$1,117 a month on a 5 year balloon.

Also, the Village of Sheridan hired Fedewa, Inc. to paint the exterior of our Water Tower. The Village received sealed bids on this. This project cost the Village \$17,740, which was paid out of the Water User account.

Total net assets related to the primary government are \$2,149,218. The unrestricted portion of net assets are \$853,982 (see table of net assets on the following page).

State shared revenues, our second largest revenue source, was reduced by the State of Michigan this year. In light of continuing State Budget Problems, and constant threat(s) to take away all revenue sharing, the Village has reacted by invoking tighter controls over all expenditures.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village of Sheridan as a whole and present a longer-term of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing governmental services.

The fund financial statements present a short term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds.

**Village of Sheridan
Management's Discussion and Analysis
Year Ended March 31, 2005**

The Village of Sheridan as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2005.

Table 1

	Governmental Activities	Business-type Activities	Total
Current assets	\$ 540,034	\$ 602,620	\$ 1,142,654
Capital assets, net	<u>259,804</u>	<u>1,934,471</u>	<u>2,194,275</u>
Total assets	<u>799,838</u>	<u>2,537,091</u>	<u>3,336,929</u>
Current and long term liabilities	<u>174,615</u>	<u>1,013,096</u>	<u>1,187,711</u>
Total net assets	<u>\$ 625,223</u>	<u>\$ 1,523,995</u>	<u>\$ 2,149,218</u>

Village of Sheridan's net assets of governmental activities are \$625,223 and \$1,523,995 for business type activities; of these amounts \$514,458 (governmental) and \$339,524 (business-type) are unrestricted assets.

Village of Sheridan
Management's Discussion and Analysis
Year Ended March 31, 2005

The following table shows, in a condensed format, the revenues and expenses as of March 31, 2005.

Table 2

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenue			
Program revenue			
Charges for services	\$ -	\$ 171,995	\$ 171,995
General revenue:			
Property taxes	163,001	-	163,001
State-shared revenue	133,557	-	133,557
Interest	2,787	5,705	8,492
Miscellaneous	37,658	33,269	70,927
Transfers	6,045	(6,045)	-
	<u>343,048</u>	<u>204,924</u>	<u>547,972</u>
Total revenue			
Program expenses			
General government	60,016	-	60,016
Public safety	54,679	-	54,679
Public works	113,030	246,930	359,960
Recreation and culture	12,620	-	12,620
Capital Outlay	159,959	-	159,959
Other	23,725	-	23,725
	<u>424,029</u>	<u>246,930</u>	<u>670,959</u>
Total program expenses			
Change in net assets	<u>\$ (80,981)</u>	<u>\$ (42,006)</u>	<u>\$ (122,987)</u>

**Village of Sheridan
Management's Discussion and Analysis
Year Ended March 31, 2005**

Governmental Activities

The Village of Sheridan's total governmental activity revenues were \$343,048. There was a slight decrease in State-shared revenue and property taxes.

Governmental activity expenditures of \$424,029 were recorded for the year.

Business Type Activities

The Village of Sheridan has received notification that they will be awarded a Recreational Grant in the amount of \$74,000. The Village of Sheridan will match \$26,000 to improve the Pearl Lake Park. The Village will begin this project in the spring of 2006.

The Village of Sheridan will begin a water main project the first week of October, 2005. We will replace a 4" main that is under M-66 with 930 feet of 8" main in front of Sheridan Community Hospital. The 8" water main will be moved to the Street Right of Way. The cost for this project is \$68,375 and this will be paid out of the Water User account.

The Village of Sheridan's business-type activity consists of a Water Fund and a Sewer Fund. The Village provides treated water and municipal sanitary sewer to approximately 305 Village residents.

During the fiscal year the Village increased the water rates, the first time since 1995. This rate increase did not take effect until the October, 2004 billing. The Village continues to pay on debt for the water system update completed in 1992.

**Village of Sheridan
Management's Discussion and Analysis
Year Ended March 31, 2005**

Village of Sheridan Funds

The fund financial statements provide detailed information about the most significant funds, not the Village of Sheridan as a whole. The Village Council creates funds to help manage money for specific purposes as well as show accountability for certain activities, such as State of Michigan Act 51, Major and Local Street funds for 2005. The Village of Sheridan governmental major funds include General Fund, and Major and Local Street Funds.

a) General Fund

Functions relating to the general governmental activities of the Village, which are financed by property tax levies, by distribution of State revenues from fees charged for various municipal activities and services are recorded in the General Fund. This fund had a decrease in fund balance of \$26,668 over 2004.

b) Major and Local Street Funds

The State of Michigan provides municipalities revenues from gas and weight taxes to reimburse expenditures for the maintenance and construction of the local street system. The State requires that these expenditures be segregated into a Major Street component and a Local Street component.

General Fund Budgetary Highlights

Over the course of the year, the Village Council and Village administration monitor and amend the budget to account for unanticipated events during the year.

Capital Asset and Debt Administration

At the end of 2005 the Village of Sheridan has \$4,423,716 invested in a wide range of capital assets, including land, buildings, equipment, and water and sewer lines.

**Village of Sheridan
Management's Discussion and Analysis
Year Ended March 31, 2005**

Debt reported in these financial statements is related to the construction of the above-mentioned assets and buildings and is reported as a liability on the statement of net assets.

Economic Factors and Next Year's Budgets and Rates

The Village needs to continue to monitor its budget very closely.

Contacting the Village of Sheridan Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village of Sheridan's finances and to show the Village's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the administration offices at Village hall.

Village of Sheridan
Statement of Net Assets
March 31, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 256,636	\$ 435,946	\$ 692,582
Receivables			
Customers	2,884	46,789	49,673
Accrued interest and other	-	2,047	2,047
Deferred bond issuance costs	952	2,390	3,342
Due from other units of government	24,734	-	24,734
Due from other funds	253,877	17,137	271,014
Prepaid items	951	950	1,901
Restricted assets			
Cash and cash equivalents	-	97,361	97,361
Capital assets, net	<u>259,804</u>	<u>1,934,471</u>	<u>2,194,275</u>
Total assets	<u>799,838</u>	<u>2,537,091</u>	<u>3,336,929</u>
Liabilities			
Accounts payable	4,506	-	4,506
Accrued and other liabilities	1,333	9,219	10,552
Due to other funds	17,137	253,877	271,014
Deferred revenue	2,600	-	2,600
Noncurrent liabilities			
Due within one year	3,201	45,000	48,201
Due in more than one year	<u>145,838</u>	<u>705,000</u>	<u>850,838</u>
Total liabilities	<u>174,615</u>	<u>1,013,096</u>	<u>1,187,711</u>
Net Assets			
Invested in capital assets, net of related debt	110,765	1,184,471	1,295,236
Unrestricted	<u>514,458</u>	<u>339,524</u>	<u>853,982</u>
Total net assets	<u>\$ 625,223</u>	<u>\$ 1,523,995</u>	<u>\$ 2,149,218</u>

See Accompanying Notes to Financial Statements

**Village of Sheridan
Statement of Activities
For the Year Ended March 31, 2005**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Functions/Programs							
Primary government							
Governmental activities							
General government	\$ 60,016	\$ -	\$ -	\$ -	\$ (60,016)	\$ -	\$ (60,016)
Public safety	54,679	-	-	-	(54,679)	-	(54,679)
Public works	113,030	-	-	-	(113,030)	-	(113,030)
Recreation and culture	12,620	-	-	-	(12,620)	-	(12,620)
Other functions	23,725	-	-	-	(23,725)	-	(23,725)
Capital outlay	159,959	-	-	-	(159,959)	-	(159,959)
Total governmental activities	424,029	-	-	-	(424,029)	-	(424,029)
Business-type activities							
Sewer	147,014	87,187	-	-	-	(59,827)	(59,827)
Water	99,916	84,808	-	-	-	(15,108)	(15,108)
Total business-type activities	246,930	171,995	-	-	-	(74,935)	(74,935)
Total primary government	<u>\$ 670,959</u>	<u>\$ 171,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(424,029)</u>	<u>(74,935)</u>	<u>(498,964)</u>
General revenues							
Property taxes					163,001	-	163,001
State shared revenue					133,557	-	133,557
Unrestricted investment earnings					2,787	5,705	8,492
Miscellaneous					37,658	33,269	70,927
Transfers					6,045	(6,045)	-
Total general revenues and transfers					343,048	32,929	375,977
Change in net assets					(80,981)	(42,006)	(122,987)
Net assets - beginning of year					706,204	1,566,001	2,272,205
Net assets - end of year					<u>\$ 625,223</u>	<u>\$ 1,523,995</u>	<u>\$ 2,149,218</u>

See Accompanying Notes to Financial Statements

Village of Sheridan
Governmental Funds
Balance Sheet
March 31, 2005

		Special Revenue Funds			
	General	Major Street	Local Street	Capital Projects Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 135,321	\$ 84,773	\$ 33,934	\$ 2,608	\$ 256,636
Receivables					
Customers	2,884	-	-	-	2,884
Accrued interest and other	655	297	-	-	952
Due from other units of government	13,849	7,172	3,713	-	24,734
Due from other funds	320,362	-	16,954	-	337,316
Prepaid items	951	-	-	-	951
Total assets	<u>\$ 474,022</u>	<u>\$ 92,242</u>	<u>\$ 54,601</u>	<u>\$ 2,608</u>	<u>\$ 623,473</u>
Liabilities					
Accounts payable	\$ 4,506	\$ -	\$ -	\$ -	\$ 4,506
Accrued and other liabilities	1,333	-	-	-	1,333
Due to other funds	17,115	28,860	54,601	-	100,576
Deferred revenue	2,600	-	-	-	2,600
Total liabilities	<u>25,554</u>	<u>28,860</u>	<u>54,601</u>	<u>-</u>	<u>109,015</u>
Fund Balances					
Resctricted for:					
Capital projects	-	-	-	2,608	2,608
Unreserved, reported in:					
General fund	448,468	-	-	-	448,468
Special revenue funds	-	63,382	-	-	63,382
Total fund balances	<u>448,468</u>	<u>63,382</u>	<u>-</u>	<u>2,608</u>	<u>514,458</u>
Total liabilities and fund balances	<u>\$ 474,022</u>	<u>\$ 92,242</u>	<u>\$ 54,601</u>	<u>\$ 2,608</u>	<u>\$ 623,473</u>

**Village of Sheridan
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
March 31, 2005**

Total fund balances for governmental funds	\$ 514,458
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	259,804
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(149,039)</u>
Net assets of governmental activities	<u>\$ 625,223</u>

Village of Sheridan
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2005

	<u>Special Revenue Funds</u>				Governmental
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Capital Projects Fund</u>	<u>Funds Total</u>
Revenues					
Taxes	\$ 163,001	\$ -	\$ -	\$ -	\$ 163,001
State revenue sharing	70,081	40,092	23,384	-	133,557
Interest income	1,525	574	688	-	2,787
Rental income	29,933	-	-	-	29,933
Other revenue	7,326	100	299	-	7,725
Total revenues	<u>271,866</u>	<u>40,766</u>	<u>24,371</u>	<u>-</u>	<u>337,003</u>
Expenditures					
Current					
General government	184,812	-	-	-	184,812
Public safety	54,679	-	-	-	54,679
Public works	-	53,942	59,088	-	113,030
Recreation and culture	12,620	-	-	-	12,620
Other functions	23,725	-	-	-	23,725
Capital outlay	13,528	-	-	146,431	159,959
Total expenditures	<u>289,364</u>	<u>53,942</u>	<u>59,088</u>	<u>146,431</u>	<u>548,825</u>
Deficiency of revenues over expenditures	<u>(17,498)</u>	<u>(13,176)</u>	<u>(34,717)</u>	<u>(146,431)</u>	<u>(211,822)</u>
Other financing sources (uses)					
Transfers in	6,045	-	24,916	-	30,961
Transfers out	(15,215)	(9,701)	-	-	(24,916)
Issuance of debt	-	-	-	149,039	149,039
Total other financing sources and uses	<u>(9,170)</u>	<u>(9,701)</u>	<u>24,916</u>	<u>149,039</u>	<u>155,084</u>
Net change in fund balance	<u>(26,668)</u>	<u>(22,877)</u>	<u>(9,801)</u>	<u>2,608</u>	<u>(56,738)</u>
Fund balance - beginning of year	<u>475,136</u>	<u>86,259</u>	<u>9,801</u>	<u>-</u>	<u>571,196</u>
Fund balance - end of year	<u>\$ 448,468</u>	<u>\$ 63,382</u>	<u>\$ -</u>	<u>\$ 2,608</u>	<u>\$ 514,458</u>

See Accompanying Notes to Financial Statements

**Village of Sheridan
Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2005**

Net change in fund balances - Total governmental funds \$ (56,738)

Total change in net assets reported for governmental activities in the statement of activities
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(27,504)
Capital outlay	152,300

Loan proceeds are reported as financing sources in the governmental funds and thus contribute to the change in
fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not
affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds
but reduces the liability in the statement of net assets.

Proceeds from construction loan	<u>(149,039)</u>
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Change in net assets of governmental activities \$ (80,981)

**Village of Sheridan
Proprietary Funds
Statement of Net Assets
March 31, 2005**

	Enterprise Funds		
	Sewer	Water	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 179,282	\$ 256,664	\$ 435,946
Receivables			
Customers	20,612	26,177	46,789
Interest	986	1,061	2,047
Deferred bond issuance cost	-	2,390	2,390
Due from other funds	20,129	-	20,129
Prepaid items	665	285	950
Total current assets	<u>221,674</u>	<u>286,577</u>	<u>508,251</u>
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	52,328	45,033	97,361
Capital assets, net	<u>1,434,328</u>	<u>500,143</u>	<u>1,934,471</u>
Total noncurrent assets	<u>1,486,656</u>	<u>545,176</u>	<u>2,031,832</u>
Total assets	<u>1,708,330</u>	<u>831,753</u>	<u>2,540,083</u>
Liabilities			
Current liabilities			
Accrued and other liabilities	5,042	4,177	9,219
Due to other funds	84,257	172,612	256,869
Current portion of noncurrent liabilities	<u>30,000</u>	<u>15,000</u>	<u>45,000</u>
Total current liabilities	<u>119,299</u>	<u>191,789</u>	<u>311,088</u>
Noncurrent liabilities			
Long-term debt net of current portion	<u>575,000</u>	<u>130,000</u>	<u>705,000</u>
Total liabilities	<u>694,299</u>	<u>321,789</u>	<u>1,016,088</u>
Net Assets			
Invested in capital assets, net of related debt	829,328	355,143	1,184,471
Unrestricted	<u>184,703</u>	<u>154,821</u>	<u>339,524</u>
Total net assets	<u>\$ 1,014,031</u>	<u>\$ 509,964</u>	<u>\$ 1,523,995</u>

See Accompanying Notes to Financial Statements

Village of Sheridan
Proprietary Funds
Statement of Revenue, Expenses and Changes in Fund Net Assets
For the Year Ended March 31, 2005

	Enterprise Funds		
	Sewer	Water	Total
Operating revenue			
Customer fees	\$ 87,187	\$ 84,808	\$ 171,995
Rental income	15,251	18,018	33,269
Total operating revenue	102,438	102,826	205,264
Operating expenses			
Personnel services	14,648	17,476	32,124
Supplies	2,910	1,452	4,362
Contractual services	872	9,259	10,131
Utilities	6,508	4,277	10,785
Repairs and maintenance	14,101	21,945	36,046
Other expenses	12,654	13,963	26,617
Depreciation	64,862	16,505	81,367
Total operating expenses	116,555	84,877	201,432
Operating income (loss)	(14,117)	17,949	3,832
Nonoperating revenue (expenses)			
Interest income	2,669	3,036	5,705
Interest expense	(30,459)	(15,039)	(45,498)
Total nonoperating revenues (expenses)	(27,790)	(12,003)	(39,793)
Income (loss) before transfers out	(41,907)	5,946	(35,961)
Transfers out	-	(6,045)	(6,045)
Change in net assets	(41,907)	(99)	(42,006)
Net assets - beginning of year	1,055,938	510,063	1,566,001
Net assets - end of year	\$ 1,014,031	\$ 509,964	\$ 1,523,995

See Accompanying Notes to Financial Statements

**Village of Sheridan
Proprietary Funds
Statement of Cash Flows
For the Year Ended March 31, 2005**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers	\$ 104,798	\$ 96,675	\$ 201,473
Receipts from other funds	(6,273)	-	(6,273)
Payments to other funds	942	5,171	6,113
Payments to suppliers	(42,796)	(47,507)	(90,303)
Payments to employees	(14,648)	(17,476)	(32,124)
Net cash provided by operating activities	<u>42,023</u>	<u>36,863</u>	<u>78,886</u>
Cash flows from noncapital financing activities			
Transfers to other funds	<u>-</u>	<u>(6,045)</u>	<u>(6,045)</u>
Cash flows from capital and related financing activities			
Purchases of capital assets	(1,998)	(998)	(2,996)
Principal and interest paid on long-term debt	<u>(55,459)</u>	<u>(30,039)</u>	<u>(85,498)</u>
Net cash used by capital and related financing activities	<u>(57,457)</u>	<u>(31,037)</u>	<u>(88,494)</u>
Cash flows from investing activities			
Interest received	<u>1,683</u>	<u>1,975</u>	<u>3,658</u>
Net increase (decrease) in cash and cash equivalents	(13,751)	1,756	(11,995)
Cash and cash equivalents - beginning of year	<u>245,361</u>	<u>299,941</u>	<u>545,302</u>
Cash and cash equivalents - end of year	<u>\$ 231,610</u>	<u>\$ 301,697</u>	<u>\$ 533,307</u>

See Accompanying Notes to Financial Statements

**Village of Sheridan
Proprietary Funds
Statement of Cash Flows
For the Year Ended March 31, 2005**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (14,117)	\$ 17,949	\$ 3,832
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	64,862	16,505	81,367
Changes in assets and liabilities			
Receivables (net)	2,360	(6,151)	(3,791)
Due from other funds	(6,273)	-	(6,273)
Deferred bond issuance cost	-	342	342
Prepaid items	(665)	(285)	(950)
Accounts payable	-	(845)	(845)
Accrued and other liabilities	(5,086)	4,177	(909)
Due to other funds	<u>942</u>	<u>5,171</u>	<u>6,113</u>
Net cash provided by operating activities	<u>\$ 42,023</u>	<u>\$ 36,863</u>	<u>\$ 78,886</u>

See Accompanying Notes to Financial Statements

Village of Sheridan
Notes to Financial Statements
March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The Village of Sheridan is governed by an elected seven-member Council. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Village of Sheridan
Notes to Financial Statements
March 31, 2005

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major and Local Street Funds account for the resources of state gas and weight tax revenue that are restricted for use on Major and Local Streets.

The government reports the following major proprietary funds:

The Water Fund and the Sewer Fund account for the activities of the water distribution system and sewage collection system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government Enterprise Funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business -

Village of Sheridan
Notes to Financial Statements
March 31, 2005

type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied as of December 31 and the related property taxes become a lien on July 1. These taxes are due on September 14 with the final collection date of September 30 before they are added to the county tax rolls.

The 2004 taxable valuation of the government totaled \$13,603,483, on which ad valorem taxes consisted of 11.5047 mills for operating purposes. This resulted in \$160,640 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted assets – Certain revenue bonds of the Enterprise Funds require amounts to be set aside for a bond reserve. These amounts have been classified as restricted assets.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Water and sewer lines	50 to 75 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Village of Sheridan
Notes to Financial Statements
March 31, 2005

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes.

Comparative data

Comparative data is not included in the Village's financial statements.

GASB 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*. The Village of Sheridan has applied the provisions of this statement and related GASB statements in the accompanying financial statements (including the notes to financial statements). The Village has elected to implement the general provisions of the statement. Certain significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Village's activities.

- A change in the fund financial statements to focus on the major funds.
- Capital assets at April 1, 2004 not previously reported in the General Fixed Assets Account Group have been adjusted by \$259,804 to reflect the historical cost and accumulated depreciation of the Village's capital assets at that date.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The Village is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to February 1, the Village President submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to April 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Village Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Village Council.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Village of Sheridan
Notes to Financial Statements
March 31, 2005

Excess of expenditures over appropriations

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a local government unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2005, the Village incurred expenditures in the General Fund in excess of the amount appropriated as follows:

<u>Fund</u>	<u>Total Appropriation</u>	<u>Amount Expended</u>	<u>Unfavorable Variance</u>
General Fund			
Public Safety	53,168	54,679	1,511
Capital Outlay	-	13,528	13,528
Transfers out	-	15,215	15,215
Major Street Fund			
Transfers out	9,000	9,701	701

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 authorizes the Village to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The governing body has designated two banks for the deposit of local unit funds.

	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash and Cash Equivalents</u>
Governmental activities	\$ 256,636	\$ -
Business-type activities	<u>435,946</u>	<u>97,361</u>
Total	<u>\$ 692,582</u>	<u>\$ 97,361</u>

The breakdown between deposits is as follows:

	<u>Primary Government</u>
Bank deposits (checking and savings accounts, certificates of deposit)	<u>\$ 789,943</u>

Deposits

The bank balance was \$ 811,226 at year end. Of the bank balance, \$ 124,845 was covered by federal depository insurance and \$ 686,381 was uninsured and uncollateralized.

Village of Sheridan
Notes to Financial Statements
March 31, 2005

NOTE 4 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unearned</u>
Primary government	
Rental revenue	<u>\$ 2,600</u>

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 13,500	\$ -	\$ -	\$ 13,500
Construction in progress	<u>-</u>	<u>147,676</u>	<u>-</u>	<u>147,676</u>
Total capital assets not being depreciated	<u>13,500</u>	<u>147,676</u>	<u>-</u>	<u>161,176</u>
Capital assets being depreciated				
Buildings, additions and improvements	556,854	-	-	556,854
Machinery and equipment	<u>287,096</u>	<u>4,624</u>	<u>-</u>	<u>291,720</u>
Total capital assets being depreciated	<u>843,950</u>	<u>4,624</u>	<u>-</u>	<u>848,574</u>
Less accumulated depreciation for				
Buildings, additions and improvements	532,462	3,265	-	535,727
Machinery and equipment	<u>189,980</u>	<u>24,239</u>	<u>-</u>	<u>214,219</u>
Total accumulated depreciation	<u>722,442</u>	<u>27,504</u>	<u>-</u>	<u>749,946</u>
Net capital assets being depreciated	<u>121,508</u>	<u>(22,880)</u>	<u>-</u>	<u>98,628</u>
Governmental activities capital assets, net	<u>\$ 135,008</u>	<u>\$ 124,796</u>	<u>\$ -</u>	<u>\$ 259,804</u>

Village of Sheridan
Notes to Financial Statements
March 31, 2005

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 30,835	\$ -	\$ -	\$ 30,835
Capital assets being depreciated				
Buildings, additions and improvements	171,248	-	-	171,248
Machinery and equipment	121,286	2,996	-	124,282
Water system	716,567	-	-	716,567
Sewer system	2,371,034	-	-	2,371,034
Total capital assets being depreciated	3,380,135	2,996	-	3,383,131
Less accumulated depreciation for				
Buildings, additions and improvements	101,537	6,297	-	107,834
Machinery and equipment	89,947	11,121	-	101,068
Water system	211,752	16,505	-	228,257
Sewer system	994,892	47,444	-	1,042,336
Total accumulated depreciation	1,398,128	81,367	-	1,479,495
Net capital assets being depreciated	1,982,007	(78,371)	-	1,903,636
Business-type capital assets, net	\$ 2,012,842	\$ (78,371)	\$ -	\$ 1,934,471

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 27,504
Business-type activities	
Sewer	64,862
Water	16,505
Total business-type activities	81,367
Total primary government	\$ 108,871

NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Major Street Fund	\$ 22,528
General Fund	Local Street Fund	43,957
General Fund	Sewer Fund	84,257
General Fund	Water Fund	169,620
Local Street Fund	Major Street Fund	1,739
Local Street Fund	General Fund	15,215
Sewer Fund	Major Street Fund	4,593
Sewer Fund	Local Street Fund	10,644
Sewer Fund	Water Fund	2,992
Sewer Fund	General Fund	1,900
		<u>\$ 357,445</u>

Village of Sheridan
Notes to Financial Statements
March 31, 2005

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
Major Street Fund	Local Street Fund	\$ 9,701
General Fund	Local Street Fund	15,215
Water Fund	General Fund	<u>6,045</u>
		<u>\$ 30,961</u>

Transfers are used to move State aid revenues from Major Street Fund to Local Street Fund and to move water repair and maintenance expenditures from General Fund to Water Fund.

NOTE 8 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government

Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Construction loan	<u>\$ -</u>	<u>\$ 149,039</u>	<u>\$ -</u>	<u>\$ 149,039</u>	<u>\$ 3,201</u>
Business-type activities					
Revenue Bonds Payable					
Sewer Revenue Bonds	<u>\$ 630,000</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 605,000</u>	<u>\$ 30,000</u>
Water Revenue Bonds	<u>160,000</u>	<u>-</u>	<u>15,000</u>	<u>145,000</u>	<u>15,000</u>
Total bonds payable	<u>\$ 790,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 750,000</u>	<u>\$ 45,000</u>

The following is a summary of maturity dates, interest rates and maturities:

	<u>Amount of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>
Business-type activities				
Revenue Bonds Payable				
Sewer Revenue Bonds	<u>\$ 875,000</u>	<u>2019</u>	<u>5%</u>	<u>\$20,000 - \$60,000</u>
Water Revenue Bonds	<u>300,000</u>	<u>2011</u>	<u>5.4% - 7.0%</u>	<u>\$15,000 - \$25,000</u>

On June 1, 2005, the construction loan subsequently converted to a five year balloon mortgage of \$175,606 with a 4.5% interest rate and a maturity date of June 1, 2010. Monthly installments of \$437 to \$563 will be due with an additional \$147,072 due on June 1, 2010.

Village of Sheridan
Notes to Financial Statements
March 31, 2005

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending March 31,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 3,201	\$ 4,618	\$ 45,000	\$ 35,263
2007	5,655	7,750	50,000	33,260
2008	5,898	7,507	55,000	31,080
2009	6,195	7,213	55,000	28,640
2010	6,479	6,923	55,000	26,200
2011-2015	148,178	1,698	270,000	91,875
2016-2020	<u>-</u>	<u>-</u>	<u>220,000</u>	<u>28,250</u>
	<u>\$ 175,606</u>	<u>\$ 35,709</u>	<u>\$ 750,000</u>	<u>\$ 274,568</u>

Contributions made by the Village vest immediately.

The Village's required and actual contribution for the year ended March 31, 2005, was \$ 5,436.

NOTE 9 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees.

The government has purchased commercial insurance for all claims.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The pension plan of the Village is a defined contribution plan administered by Gleaners Life Insurance Society, which provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the participant's account are to be determined rather than specifying the amount of benefits the participant will receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account.

Village of Sheridan
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2005

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes				
Property taxes	\$ 155,100	\$ 155,100	\$ 161,182	\$ 6,082
Penalties and interest	-	-	238	238
Administration fee	2,000	2,000	1,581	(419)
State revenue sharing	63,000	63,000	70,081	7,081
Charges for services	100	100	-	(100)
Interest income	500	500	1,525	1,025
Rental income	7,400	7,400	29,933	22,533
Other revenue	2,355	2,355	7,326	4,971
Transfer in	-	-	6,045	6,045
Total revenues	<u>\$ 230,455</u>	<u>\$ 230,455</u>	<u>\$ 277,911</u>	<u>\$ 47,456</u>

Village of Sheridan
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2005

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Expenditures				
General government				
Village board	\$ 4,042	\$ 5,174	\$ 7,358	\$ 2,184
Supervisor	1,867	1,924	2,848	924
Clerk	7,659	9,840	8,925	(915)
Treasurer	34,851	35,828	34,126	(1,702)
Elections	474	621	339	(282)
Attorney	1,000	2,000	1,841	(159)
Cemetery	22,725	23,312	16,168	(7,144)
Other general government	91,989	121,340	113,207	(8,133)
Total general government	164,607	200,039	184,812	(15,227)
Public safety				
Police	26,933	28,218	28,754	536
Fire department	16,980	24,950	25,925	975
Total public safety	43,913	53,168	54,679	1,511
Recreation and culture				
Parks and recreation	7,050	8,865	2,662	(6,203)
Community center	13,453	15,296	9,958	(5,338)
Total recreation and culture	\$ 20,503	\$ 24,161	\$ 12,620	\$ (11,541)

Village of Sheridan
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2005

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Other functions				
Contingencies	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
Insurance and bonds	20,000	24,680	23,725	(955)
Total other functions	30,000	34,680	23,725	(10,955)
Capital outlay	-	-	13,528	13,528
Transfers out	-	-	15,215	15,215
Total expenditures	259,023	312,048	304,579	(7,469)
Deficiency of revenues over expenditures	(28,568)	(81,593)	(26,668)	54,925
Fund balance - beginning of year	475,136	475,136	475,136	-
Fund balance - end of year	\$ 446,568	\$ 393,543	\$ 448,468	\$ 54,925

Village of Sheridan
Required Supplemental Information
Budgetary Comparison Schedule
Major Street Fund
For the Year Ended March 31, 2005

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
State revenue sharing	\$ 37,000	\$ 37,000	\$ 40,092	\$ 3,092
Interest income	100	100	574	474
Other revenue	-	-	100	100
	<u>37,100</u>	<u>37,100</u>	<u>40,766</u>	<u>3,666</u>
Expenditures				
Current				
Public works	40,693	54,843	53,942	(901)
Transfers out	<u>9,000</u>	<u>9,000</u>	<u>9,701</u>	<u>701</u>
	<u>49,693</u>	<u>63,843</u>	<u>63,643</u>	<u>(200)</u>
Total expenditures				
	<u>(12,593)</u>	<u>(26,743)</u>	<u>(22,877)</u>	<u>3,866</u>
Deficiency of revenues over expenditures				
	<u>86,259</u>	<u>86,259</u>	<u>86,259</u>	<u>-</u>
Fund balance - beginning of year				
	<u>\$ 73,666</u>	<u>\$ 59,516</u>	<u>\$ 63,382</u>	<u>\$ 3,866</u>
Fund balance - end of year				

Village of Sheridan
Required Supplemental Information
Budgetary Comparison Schedule
Local Street Fund
For the Year Ended March 31, 2005

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
State revenue sharing	\$ 17,400	\$ 17,400	\$ 23,384	\$ 5,984
Interest income	170	170	688	518
Other revenue	-	-	299	299
Transfers in	<u>8,600</u>	<u>8,600</u>	<u>24,916</u>	<u>16,316</u>
Total revenues	<u>26,170</u>	<u>26,170</u>	<u>49,287</u>	<u>23,117</u>
Expenditures				
Current				
Public works	<u>39,325</u>	<u>64,772</u>	<u>59,088</u>	<u>(5,684)</u>
Deficiency of revenues over expenditures	<u>(13,155)</u>	<u>(38,602)</u>	<u>(9,801)</u>	<u>28,801</u>
Fund balance - beginning of year	<u>9,801</u>	<u>9,801</u>	<u>9,801</u>	<u>-</u>
Fund balance - end of year	<u>\$ (3,354)</u>	<u>\$ (28,801)</u>	<u>\$ -</u>	<u>\$ 28,801</u>



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June 28, 2005

To the Village Council
Village of Sheridan
Montcalm County, Michigan

In planning and performing our audit of the financial statements of the Village of Sheridan for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. As a result of the aforementioned study, we became aware of the following matters that are an opportunity for strengthening internal control and operating efficiency. The following summarizes our comments and suggestions regarding these matters.

CASH MANAGEMENT

During the audit we inquired about the policies and procedures regarding segregation of duties. We noted that the treasurer receives and opens the bank statements and she also prepares the bank reconciliations. We recommend that the Village Supervisor or a council member receive and open the bank statements every month to review the cleared check images and any transfers before the treasurer prepares the monthly bank reconciliations.

BUDGET

It was noted that the Village budgeted for a fund deficit in the Local Street Fund in the current year. We spoke with the treasurer regarding this matter and advised her in future years that the Village should budget for a transfer from General Fund to cover any fund deficit.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Village personnel, and we will be happy to discuss with you, at your convenience, any accounting or reporting issues for which you would like additional information or guidance. We are grateful for the opportunity to be of service to the Village and would appreciate any referrals or recommendations you might have for ways that we can improve our service to you.

This report is intended solely for the information and use of the Village Council, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Yeo & Yeo, P.C.

YEO & YEO, P.C.
CPAs and Business Consultants

